

## Message Text

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TO AMCONSUL JERUSALEM IMMEDIATE

C O N F I D E N T I A L STATE 034246

TOSEC 258

FOLLOWING REPEAT TEHRAN 1402 SENT SECSTATE BEIRUT DATED  
FEB 13.

QUOTE

C O N F I D E N T I A L TEHRAN 1402

FOR UNDER SECRETARY INGERSOLL FROM TABOR

DEPARTMENT PLEASE PASS SECRETARY OF COMMERCE DENT,  
SECRETARY OF TREASURY SIMON, FEA ADMINISTRATOR ZARB, SECRETARY  
OF INTERIOR MORTON

BEIRUT FOR UNDER SECRETARY TABOR

E.O. 11652: GDS

TAGS: ENRG

SUBJ: OIL: MEETING WITH IRANIAN MINISTER AMOUZEGAR

1. COMMERCE UNDER SECRETARY TABOR, ACCOMPANIED BY  
TREASURY ASSISTANT SECRETARY PARSKY AND CHARGE MIKLOS,  
MET FOR HOUR TWENTY-FIVE MINUTES WITH IRANIAN INTERIOR  
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MINISTER AMOUZEGAR FEBRUARY 10 AND DISCUSSED ENERGY

CONSERVATION, DOLLAR RECYCLING, INFLATION AND INDEXING.

2. UNDER SECRETARY ASKED MR. PARSKY TO GIVE FIRST HAND REPORT ON PARIS E.E.A. MEETING. PARSKY DID SO FULLY EMPHASIZING THREE ASPECTS OF U.S. APPROACH, (1) CONSERVATION, (2) FINANCE, INVESTMENT AND RECYCLING, AND (3) ALTERNATE SOURCES OF ENERGY. ON LATTER, PARSKY SAID U.S. REGARDED FLOOR PRICE AS ONE WAY, NOT ONLY WAY TO DEVELOP ALTERNATE SOURCES, AND U.S. HOSPITABLE TO OTHER METHODS, OR COMBINATIONS.

3. MINISTER AMOUZEGAR RESPONDED SAYING SHAH APPLAUDED CONSERVATION, HE AMOUZEGAR DISAPPOINTED U.S. DID NOT ADVOCATE FLOOR PRICE BECAUSE HE BELIEVED FLOOR PRICE NECESSARY TO DEVELOP ALTERNATE SOURCES WHILE IRAN COULD PRODUCE AT 15 CENTS A BARRELL AND BREAK MARKET AT ANY TIME.

4. MINISTER AMOUZEGAR THEN SPOKE AT LENGTH AND WITH FEELING ON RECYCLING STATING U.S. INCONSISTENT OR CONFUSED IN ACCUSING PRODUCERS OF DESTROYING WORLD ECONOMIC STABILITY, URGING RECYCLING BUT REFUSING INVESTMENTS BY PRODUCERS IN U.S. HE CITED CONSUMERS' REDUCTION OF PRODUCER CONTRIBUTION TO IMF EMERGENCY FUND FROM DOLS 12 BILLION TO DOLS 6 BILLION, CITIZEN AND MEDIA OPPOSITION TO ARAB INVESTMENT IN CALIFORNIA AND DETROIT BANKS AND PAN AMERICAN. LAST REFERENCE ONLY TOUCHED VERY LIGHTLY. HE NOTED NEWSWEEK REFERENCE TO "NON AYRIAN" BASIS OF OPPOSITION -- ASKED FOR LOGIC NOT PREJUDICE, AND SUGGESTED POWERFUL FORCES AT WORK IN LOBBIES AND MEDIA TO DRIVE USG AND PRODUCERS APART.

5. PARSKY REPLIED THAT USG INVESTMENT POLICY IS AND HAS BEEN TO WELCOME INVESTMENT, THAT THERE ARE PERSONS RESISTING CONSUMER INVESTMENTS, THAT CONSUMERS NEEDED TO INFORM PUBLIC BETTER ON PURPOSES OF INVESTMENT AND RECOGNIZE THAT DIFFERENT INVESTMENTS PRESENT DIFFERENT ACCEPTANCE SITUATIONS.

6. MINISTER AMOUZEGAR THEN MOVED TO INFLATION AND  
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INDEXING. ON CHARGE OF OIL PRICES PRODUCING INFLATION, HE NOTED THAT IN 1974 OIL PRICES ROSE 9 PLUS PERCENT, BUT INDUSTRIALIZED COUNTRY PRICES ROSE 14 PERCENT ACCORDING TO EC STATISTICS AND DOLLAR VALUE DROPPED 10 PERCENT LEAVING PRODUCERS AS NET VICTIMS OF INFLATION IN '74. AFTER PARSKY REFERRAL TO PERIOD 1973-1974, AMOUZEGAR SAID REAL ISSUE IS INDUSTRIAL WORLD INFLATION FROM 1947 TO 1974 VERSUS OIL PRICE INFLATION SAME PERIOD.

HE STATED PRODUCERS BEGGED OIL COMPANIES FOR INCREASED PRICES, BUT WERE REFUSED, AND GOVERNMENTS OF COMPANIES MUST TAKE BLAME. HE STATED PRODUCERS INCREASED PRICE IN '73 TO CATCH UP WITH INCREASES WHICH WERE OVERDUE. HE STATED PRODUCERS WOULD AGREE TO PRICE THAT WAS INDEXED TO INFLATION FROM 1947 TO DATE, AND COMPENSATED PRODUCERS FOR AMOUNTS THEY SHOULD HAVE HAD ON THEIR PRODUCTION TO EQUAL INFLATION OVER SAID PERIOD TO DATE, PLUS INTEREST THEREON.

7. MINISTER AMOUZEGAR THEN NOTED USG INCONSISTENCY IN ATTACKING INFLATIONARY OIL PRICE INCREASES, BUT IMPOSING IMPORT FEES AND TAXES ON OIL. HE SAID WHAT IS DIFFERENCE? UNDER SECRETARY POINTED OUT TWO DIFFERENCES: U.S. FEES AND TAXES PRESERVED THE DOLLARS INVOLVED WITHIN THE U.S. ECONOMY, AND ADMINISTRATION ENERGY PROPOSAL REINFUSES THE DOLS 30 BILLION OF TAXES IHTO HANDS OF THOSE HIT BY INFLATION, VIA TAX REDUCTION.

8. MINISTER AMOUZEGAR THEN URGED DISCUSSIONS BETWEEN CONSUMERS AND PRODUCERS SOON, NOTING THAT PRODUCERS NOW BEING URGED TO EXPAND THEIR CARTEL TO ALL RAW MATERIALS AND THAT IF THAT OCCURS, ISSUES BECOME VASTLY MORE COMPLICATED, INTER-RELATED AND DIFFICULT TO SOLVE.

9. VARIOUS U.S. COMMENTS AND RESPONSES OMITTED HEREIN IN BELIEF THAT THE IMPORTANT THING IS TO KNOW AMOUZEGAR'S ARGUMENTS.

10. MINISTER AMOUZEGAR WAS AT ALL TIMES UNHURRIED. HE APPEARED TO WELCOME OPPORTUNITY TO HEAR U.S. VIEWS AND STATE HIS TO SENIOR U.S. OFFICIALS. HELMS  
UNQUOTE INGERSOLL  
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